THE ASSISTANT SECRETARY OF DEFENSE

1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

JUL 25 2007

The Honorable Carl Levin
Chairman, Committee on Armed Services
United States Senate
Washington, DC 20510-6050

Dear Mr. Chairman:

This interim report partially fulfills the request of House Report 109-464 for the Department of Defense (DoD) to report on the feasibility of creating a unified medical command structure to direct the management of health care services in the DoD. The report also provides an assessment of potential cost savings and performance improvements associated with implementation of such a command structure.

The framework approved by the Deputy Secretary of Defense consists of incremental and achievable steps that will yield efficiencies throughout the Military Health System (MHS). Economies of scale are achieved by combining common functions. The structural and functional changes create a foundation for transformation of the MHS, while preserving a Service unique culture for each medical component. Each aspect of the framework supports principles of unity of command and effort, while creating a joint environment for the development of future MHS leaders. The concept accelerates consolidation of medical headquarters under Base Realignment and Closure (BRAC) law, maintains Under Secretary of Defense (USD) (Personnel and Readiness (P&R)) oversight of the Defense Health Program (DHP), and positions the MHS for further unification if warranted. Structural changes included in the approved framework are:

- Establishment of a joint command for the National Capital Area and San Antonio;
- Future establishment of joint commands for other multi-service markets using lessons learned from the National Capital Area and San Antonio;
- Establishment of a joint command for the Joint Medical Education and Training Center in San Antonio;
- Establishment of a joint command for all medical research and development assets;
- Creation of a joint Military Health Directorate to consolidate MHS-wide shared services such as human capital, finance, Information Management/Information Technology (IM/IT), logistics, and force health sustainment;
- Re-focusing of the TRICARE Management Activity on the benefit, health plan management and beneficiary support mission; and

- Office of the Assistant Secretary of Defense (OASD) (Health Affairs (HA)) role in MHS policy development, strategy management, DHP budget development and oversight, and legislative strategy will remain unchanged.

The Assistant Secretary of Defense (ASD) (HA) is currently working with the Military Departments and Joint Staff to develop a detailed implementation plan. An implementation team will be formed during Fiscal Year (FY) 2007 tasked with delivering the implementation plan within one year. All of the design elements contained in the DEPSECDEF memorandum of November 27, 2006 are to be in place by the end of FY 2009.

Due to the complexity of the issues and ongoing collaborative efforts, more time is required to accomplish our assessment. The incremental changes noted will result in greater unity of effort by eliminating duplicative layers of command and control, leveraging efficiencies through combining common support functions, standardizing policy, training and doctrine for all our forces, rationalizing span of control at both tactical and strategic levels, and improving resource management, transparency and accountability. These structural changes will serve as the foundation for continuous transformation of the MHS as described in the Quadrennial Defense Review (QDR) Roadmap and MHS Strategic Plan. The implementation team will be developing quantitative estimates of savings and improved performance for each of the elements of the plan; those estimates should be available in 2008. The final report will be sent to Congress by June 2008.

Thank you for your continued support of the Military Health System.

Sincerely,

S. Ward Casscells, MD

cc:
The Honorable John McCain
Ranking Member